Michigan Education Trust

Plans B and C

Actuary's Report

As of September 30, 2006

December 2006

December 22, 2006

Mr. Robert J. Kleine
Chairman of the Board of Directors of the
Michigan Education Trust
Department of Treasury
P. O. Box 30198
Lansing, Michigan 48909

Dear Mr. Kleine:

PricewaterhouseCoopers LLP (PwC) in conjunction with Richard M. Kaye & Associates has performed an actuarial valuation of Plans B and C (MET I) of the Michigan Education Trust (MET or the Trust), at the request of the Trust as of September 30, 2006. The valuation is based on data furnished by MET regarding the contracts submitted during the 1988, 1989 and 1990 enrollment periods; unaudited financial data provided by MET; the actuarial basis described herein and the contract provisions in effect for the 1988, 1989 and 1990 enrollments.

This report presents the results of the valuation of the assets and liabilities of MET I in compliance with Act Number 316 of the Public Acts of 1986 and contains information required for financial statement purposes.

The valuation was performed based upon generally accepted actuarial principles, and tests were performed as considered necessary to ensure the accuracy of the results. We certify that the amounts presented in the accompanying report have been appropriately determined according to the actuarial assumptions stated herein.

This report is prepared for the internal use of the Michigan Education Trust. Any external use or distribution of this report is not authorized without prior written approval of PwC.

Respectfully submitted,

Michael Mielzynski

Michael Mielzynski, FCAS, MAAA
Manager, PricewaterhouseCoopers LLP

Richard M. Kaye

Richard M. Kaye
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Consultant to PricewaterhouseCoopers LLP

Michigan Education Trust

Plans B and C

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Contents

SECTION I – SUMMARY

This report presents the results of the September 30, 2006 actuarial valuation of Plans B and C of the Michigan Education Trust. The valuation is based on contract data provided by MET and unaudited financial information provided by MET.

This section presents a summary of the valuation results and the funded status of Plans B and C at September 30, 2006.

A. Actuarial valuation highlights	**Plan B**	**Plan C**
1. Net market value of assets *	$504,358,084	$4,579,093
2. Present value of future benefits and expenses **		
Assuming the fund earns 4.75 percent, the interest rate being earned on the market value of the assets	$485,430,157	$1,991,600

B. Funded Status

In our opinion, the best estimate of the funded status of MET I is to compare the market value of assets with the present value of future benefits and expenses assuming the fund earns 4.75 percent compounded annually. Accordingly, in our opinion, based upon the assumptions and methods stated in Section V and further described in the following section, as of September 30, 2006, Plan B shows a surplus of $18,927,927 and Plan C shows a surplus of $2,587,493 (A-1 less A-2).

*Using market value of bonds.
**See A, page 15.

C. Assumptions

This valuation is based on the assumptions and methods stated in Section V.

It should be kept in mind that the soundness determination of MET is based upon many assumptions. There is considerable uncertainty surrounding the significant factors that affect the solvency of the Trust.

The most important assumptions are the discount rate, the rate of increase in tuition, and selection against the Trust by purchasers and beneficiaries. The discount rate was determined based upon the schedule of bonds forwarded by the Michigan Department of Treasury, Bureau of Investments and approved by the Board. The other assumptions were adopted by the MET Board based upon an analysis of alternatives presented by PricewaterhouseCoopers LLP.

It is premised that expected benefit payments will be diversified in duration to allow MET to invest at the assumed investment yield. It is also premised that MET will be able to liquidate its investments in order to meet future benefit payments while still earning the investment yields that are assumed within this report. Any deviation in the actual investment yield from the expected investment yield may materially affect the conclusions within this report.

Investment Yield

The investment yield is the long-term earnings rate expected from the assets of the Trust. The investment yield is net of any investment expenses charged to the Trust.

MET's investment policy objectives include: the avoidance of volatility; the preservation of the real value of the fund; and the maximization of the expected yield. The investment strategy focuses on investment grade fixed income securities.

The investment yield assumption is based on the earnings of the existing portfolio together with estimates of the yields that will be available on reinvestment of income.

Exemption from Federal Income Taxation of the Trust

Section 529 of the Internal Revenue Code, added by the Small Business Job Protection Act of 1996, H.R. 3448, exempts Qualified Tuition Plans from Federal income tax. MET has received a determination letter from the IRS stating that MET meets the Section 529 requirements.

On November 8, 1994, the U.S. Court of Appeals for the Sixth Circuit ruled that MET is not liable for Federal income taxes. The Internal Revenue Service refunded taxes paid for the years ended in 1988 through 1995.

Rate of Increase in Tuition

The amount paid for each beneficiary who uses a full benefits contract to attend a four-year State Institution of Higher Education will be the resident undergraduate tuition plus mandatory fees. (In this section, "tuition plus mandatory fees" will hereinafter be referred to as “tuition”). Tuition increases reflect effective management of the colleges as well as general inflation, the rate of increase in state support and real improvements in the quality of educational services. Based on careful analysis, the MET Board adopted a tuition increase assumption allowing for improvement in the quality of education above an expected rate of inflation.

The tuition increase assumption adopted by the MET Board is 7.30% for all future years.

New Contracts in Future Years

As of September 30, 2006, the assumption is that there will be no new entrants to this program.

Selection Against the Trust by Purchasers and Beneficiaries

A basic reason for establishing MET is that the purchase of a contract will increase the commitment of the purchaser to a belief the beneficiary will become qualified to enter college; and that the ownership of a contract will cause the beneficiary to be comfortable with a commitment to academic achievement. (This linkage is sometimes referred to as the "Lang effect," after the philanthropist who guaranteed college tuition for a class of students at his alma mater elementary school.)

Selection against the Trust may cause the amount MET pays to exceed WAT. WAT is measured by weighting the tuition at each college by the number of full-time equated Michigan students at that college. The tuition MET pays will equal the WAT if MET beneficiaries attend the Michigan colleges in the same proportions as all Michigan students. On the other hand, if for example, all MET beneficiaries were to attend the University of Michigan, MET would pay tuition much higher than the WAT. Selection refers to the degree to which the MET beneficiaries choose to attend the higher priced colleges, and so cause MET to pay out more tuition benefits.

The cost of selection against the Trust by beneficiaries who attend the Michigan public colleges is offset somewhat by gains from contracts that are terminated. The payments on contracts that are terminated generally are of lower value than the payments on contracts used to attend the Michigan public colleges.

Other

In addition to the key assumptions discussed above and in Section V, the following important assumptions are subject to uncertainty that can be resolved only through the development of meaningful experience in the operation of MET. (A summary of the assumptions and methods is presented in Section V.)

This report assumes that the contract provisions applicable to these 1988, 1989, and 1990 enrollments and the Federal income tax status of the Trust will remain the same and will not be changed through State or Federal legislation or regulation. However, the MET Act and Federal tax laws are subject to change.

The tuition structure and other characteristics of the future higher education system used by MET beneficiaries will be identical to the system of the 1990's.

This report assumes that loan defaults will be insignificant. A default will result in a payment from MET to a savings institution. Thus, loan defaults will accelerate cash flows from the Trust. The expected defaults do not increase or decrease the funded status, since the payment to the savings institutions will be charged to the individual contract. However, the reduction of the asset and liability balances will affect the stability of the Trust as a whole. The experience with respect to the loan defaults has been favorable.

D. Monthly Purchase Contracts

In 1990, MET sold contracts on a monthly purchase plan. These contracts provide that the tuition credits accrue pro rata over the period for which purchases will be made. We have calculated future liabilities of the contracts recognizing that all monthly purchases have been paid in full.

E. Actuarial Method

The primary purpose of this Actuary's Report is to attest to the actuarial soundness of the Trust. The method used should be sensitive to long-term trends in the rate of increase in tuition and investment income. It should allow year-to-year fluctuations in experience. The method must be adaptable to a growing Trust, and be such that it will be accepted as a reasonable standard.

The method used in this Actuary's Report is described in Section V.

SECTION I – SUMMARY

(continued)

F. Historical Summary as of September 30, 2006

Number of contracts	**2006**	**2005**	**2004**	**2003**	**2002**
Full benefits	24,372	27,564	31,092	32,917	36,454
Limited benefits	181	205	240	262	294
Community college	625	747	899	990	1,126
Total	25,178	28,516	32,231	34,169	37,874
Assets					
Market Value	$508,937,177	$575,987,709	$640,928,101	$688,546,357	$724,885,075

SECTION II – MEASUREMENT OF ACTUARIAL SOUNDNESS

The following table sets forth the Trust's funded status at September 30, 2006:

	Plan B	Plan C
1. Present value of future benefits and expenses, assuming the market value of assets earns 4.75 percent compounded annually*	$485,430,157	$1,991,600
2. Net market value of assets	$504,358,084	$4,579,093
3. Surplus (Unfunded Liability) as of September 30, 2006 = (2) less (1)	$18,927,927	$2,587,493

* This figure, which is based on the actuarial assumptions set forth in Section V, represents the market value of assets required as of September 30, 2006, to provide the benefits and expenses of the program as they become due.

SECTION III – ASSETS

A. Summary of Assets at September 30, 2006

1.	Cash and cash equivalents	$ 3,350,051
2.	Investments	
	a. Short-term investments	$ 105,992,347
	b. Unamortized discount on short-term investments	(458,306)
	c. Bonds	391,033,262
	Total investments	$ 496,567,303
3.	Receivables	
	a. Advances to state general fund	$ 1,776,281
	b. Interest and dividends receivable	5,791,278
	c. Due from others	1,561,054
	Total receivables	$ 9,128,614
4.	Liabilities	
	a. Undisbursed charitable tuition	$ 4,784
	b. Compensated absences	104,007
	c. Due to vendors and contract purchasers	-
	d. Due to others	-
	Total liabilities	$ 108,791
5.	Net assets = (1) + (2) + (3) - (4)	$ 508,937,177

SECTION III – ASSETS

(continued)

B. Changes in the value of assets during the year ended September 30, 2006

1. Value of assets at beginning of year	$575,987,709
2. Changes during year	
a. Additions	
(1) Investment income	$ 22,176,473
(2) Miscellaneous income	127,281
(3) Net gain on sale of security	6,305,758
Total additions = (1) + (2) + (3)	$ 28,609,512
b. Deductions	
(1) Administrative and other expenses	$ 1,074,917
(2) Amounts paid under contracts	
(a) Tuition reimbursement reinstatements	(292,799)
(b) Tuition benefits	66,394,182
(c) Termination benefits	
[1] Paid to colleges	11,229,543
[2] Death refunds	138,694
[3] Paid to refund designee	9,854,754
Total termination benefits	$ 21,222,991
Total paid under contracts = (a) + (b) + (c)	$ 87,324,374
Total deductions = (1) + (2)	$ 88,399,291
c. Unrealized appreciation (depreciation)	$ (7,260,752)
Net increases (decreases) during year = a - b + c	$ (67,050,532)
Net value of assets at end of year = 1 + 2	$508,937,177

SECTION IV – CONTRACT DATA

A. Contract Data Summary

	Lump Sum			Monthly Purchase		
	Full Benefits	Limited Benefits	Community College	Full Benefits	Community College	Total
Total as of September 30, 2005	26,375	205	707	1,189	40	28,516
Adjustment for prior years	420	8	13	17	2	460
Contracts paid in full*	(3,525)	(32)	(132)	(104)	(5)	(3,798)
Total as of September 30, 2006	23,270	181	588	1,102	37	25,178

* See C., page 13.

SECTION IV – CONTRACT DATA

(continued)

B. Contracts in Payment Status as of September 30, 2006

	Full Benefits Contracts	Limited Benefits Contracts	Community College Contracts	Total
1. Michigan Public 4-Year College				
Central Michigan University	627	2	2	631
Eastern Michigan University	516	7	3	526
Ferris State University	259	1	1	261
(Kendall Art & Design of Ferris)	35	1	0	36
Grand Valley State University	488	5	4	497
Lake Superior State University	43	1	0	44
Michigan State University	2,312	10	2	2,324
Michigan Technological University	168	2	0	170
Northern Michigan University	133	1	0	134
Oakland University	364	1	1	366
Saginaw Valley State University	97	2	1	100
University of Michigan-Dearborn	192	1	1	194
University of Michigan-Flint	85	0	1	86
University of Michigan-Ann Arbor	1,621	6	0	1,627
Wayne State University	292	2	2	296
Western Michigan University	883	11	1	895
Total Michigan Public 4-Year College	8,115	53	19	8,187
2. Michigan Community College				
Alpena Community College	5	2	1	8
Bay De Noc Community College	3	0	0	3
Delta College	34	0	2	36
Glen Oaks Community College	2	0	1	3
Gogebic Community College	1	0	0	1
Grand Rapids Community College	57	2	15	74
Henry Ford Community College	96	1	5	102
Jackson Community College	25	0	9	34

SECTION IV – CONTRACT DATA

(continued)

B. Contracts in Payment Status as of September 30, 2006

	Full Benefits Contracts	Limited Benefits Contracts	Community College Contracts	Total
Kalamazoo Valley Community College	100	0	6	106
Kellogg Community College	8	0	2	10
Kirtland Community College	6	0	1	7
Lake Michigan Community College	8	0	1	9
Lansing Community College	189	3	36	228
Macomb County Community College	148	0	33	181
Mid-Michigan Community College	33	0	1	34
Monroe Community College	18	0	2	20
Montcalm Community College	3	0	0	3
Mott Community College	53	0	8	61
Muskegon Community College	14	0	5	19
North Central Michigan College	7	0	1	8
Northwestern Michigan College	41	1	7	49
Oakland Community College	247	1	15	263
Schoolcraft College	128	0	14	142
Southwestern Michigan College	3	0	1	4
St. Clair County Community College	18	0	3	21
Washtenaw Community College	95	0	8	103
Wayne County Community College	31	0	0	31
West Shore Community College	0	0	0	0
Total Community College	1,373	10	177	1,560
Total Active Contracts	9,488	63	196	9,747

SECTION IV – CONTRACT DATA

(continued)

B. Contracts in Payment Status as of September 30, 2006

	Full Benefits Contracts	Limited Benefits Contracts	Community College Contracts	Total
3. Terminations in Progress				
Reason:				
Private College	848	4	20	872
Out-of-State/Pay College	1,604	8	10	1,622
Out-of-State/ Pay Refund Designee	30	1	0	31
Full Scholarship	118	0	0	118
Not Attending College	536	3	3	542
Attend 4-year College with Community College Contract	0	0	66	66
Attend Community College with Full Benefits Contract	132	4	0	136
Military Termination	24	0	1	25
Total Terminations:	3,292	20	100	3,412
Grand Total, Contracts in Payment Status	12,780	83	296	13,159

SECTION IV – CONTRACT DATA

(continued)

C. Contracts Paid in Full in the Year Ending September 30, 2006

	Lump Sum			Monthly Purchase		
	Full Benefits	Limited Benefits	Community College	Full Benefits	Community College	Total
1. Attended Public Colleges	2,406	21	51	76	4	2,558
2. Terminations						
Private Colleges	265	3	7	6	0	281
Out-of-State/Pay College	423	4	8	9	0	444
Out-of-State/Pay Refund Designee	12	0	0	0	0	12
Full Scholarship	51	0	1	1	0	53
Not Attending College	323	3	25	11	0	362
Death	0	0	0	0	0	0
Attending 4-year College with Community College Contract	0	0	38	0	1	39
Attending Community College with Full Benefits Contract	40	1	0	1	0	42
Other	5	0	2	0	0	7
Total Terminations	1,119	11	81	28	1	1,240
Total Contracts Paid in Full	3,525	32	132	104	5	3,798

SECTION IV – CONTRACT DATA

(continued)

D. Loan Defaults

	Full Benefits Contracts	Limited Benefits Contracts	Community College Contracts	Total
Fiscal Year 1989	53	0	0	53
Fiscal Year 1990	86	1	3	90
Fiscal Year 1991	80	1	5	86
Fiscal Year 1992	68	0	4	72
Fiscal Year 1993	25	0	0	25
Fiscal Year 1994	16	0	0	16
Fiscal Year 1995	20	0	0	20
Fiscal Year 1996	4	0	0	4
Fiscal Year 1997	8	0	0	8
Fiscal Year 1998	9	0	0	9
Fiscal Year 1999	11	0	0	11
Fiscal Year 2000	6	0	0	6
Fiscal Year 2001	0	0	0	0
Fiscal Year 2002	0	0	0	0
Fiscal Year 2003	0	0	0	0
Fiscal Year 2004	0	0	0	0
Fiscal Year 2005	0	0	0	0
Fiscal Year 2006	0	0	0	0
Total Loan Defaults	386	2	12	400

SECTION V – ASSUMPTIONS AND METHODS*

I. Actuarial Assumptions

A. Discount Rate Applied to Expected Future Cash Flows to Determine Present Value

1. Assumption – Investment yield relating to market value of assets – 4.75%, 0.25% lower than the yield utilized last year.

2. Basis – Pursuant to analysis of the Michigan Department of Treasury, Bureau of Investments and adopted by the Board, this rate approximates the expected investment yield over the lifetime of the present contracts.

B. Tax Status

1. Assumption – MET is exempt from Federal income tax.

2. Basis – On November 8, 1994, the U.S. Court of Appeals for the Sixth Circuit ruled that MET is not liable for Federal income taxes. The Internal Revenue Service has refunded taxes paid for the years ended in 1988 through 1995.

3. Comment – Future Federal income tax law changes may affect the taxation of the Trust.

C. **Bias** – (e.g., disproportionate use of University of Michigan and Michigan State University)

1. Assumption – MET will pay tuition benefits that equal 110.0% of MET WAT, same assumption used last year.

2. Basis – Analysis of prior experience.

3. Comment – Could be higher, but there are mitigating circumstances that may prevent higher rate:

   a. Large number of contracts in force.

   b. High acceptance standards at University of Michigan (e.g. compared to highest priced college in Ohio and Alabama).

   c. Limit as to how many may attend University of Michigan and Michigan State University.

* Also, see Section I.C. Assumptions, beginning on page 2.

D. Contract terminations

1. Assumption

Distribution of Contract Terminations

Refund Type	Full Benefits	Limited Benefits	Community College Benefits
1	26%	27%	11%
2	46%	21%	11%
3	25%	42%	28%
4	3%	10%	0%
5	0%	0%	50%

Description of Refund Type

Refund Type	Amount of Refund	Termination Code & Code Description
1	Weighted Average Tuition	1 - Attend Michigan independent college – direct refund to college
2	Average Tuition	2 - Attend out of state college – direct refund to college 4 - Full scholarship
3	Lowest Tuition	3 - Attend Michigan independent or out of state college – direct refund to refund designee 5 - Will not attend college 10 - Other (military)
4	Lowest Tuition	7 – Purchase full or limited benefit, but attend community college
5	Community College WAT	8 – Purchase community college, but attend 4-yr public college

2. Basis – Based on analysis of prior terminations.

3. Comment – An assumption is made for the number and timing of terminations to which this distribution is applied. The termination assumptions are significant for the valuation because the amount paid by MET is less for terminations than for use at four-year Michigan public colleges. See Section VI – Contract Provisions Valued.

E. New Contracts – Assumed that no new contracts are sold.

F. Expenses

1. Assumption -- $2,106,832 in total for MET I and MET II, inflated at 3.5% per year for inflation. Total expenses are split between MET I and MET II according to the number of active contracts expected in each subsequent year, with appropriate recognition for a portion of the future expenses being applied to contracts not yet sold.

2. Basis -- Budgeted expenses for Fiscal Year 2006 – 2007, judgmentally reduced for a portion of the Advertising and Public Relations expenses, as the majority of these expenses are assumed to apply to future contract sales.

G. Use of Credits

1. Assumption

Year Since Matriculation	Distribution of Credit Utilization per Number of Years Purchased			
	4 yrs purchase	3 yrs purchase	2 yrs purchase	1 yr purchase
1	24%	33%	45%	85%
2	24%	25%	30%	10%
3	20%	18%	15%	5%
4	18%	12%	5%	
5	7%	7%	5%	
6	3%	3%		
7	2%	2%		
8	1%			
9	1%			

2. Comment – Students can be expected to delay use, thus providing a benefit to MET. However, an offsetting factor seems to be developing as a meaningful number of students who attend colleges with block pricing take the minimum number of credits each term to enable them to remain full-time.

H. Tuition Increase Assumption

1. Assumption – 7.30% for all future years. Last year's assumption was 7.00% for the first five years and 7.30% thereafter

2. Basis for Assumption – The MET Board chose this assumption.

I. Loadings to Reflect Experience

We now have enough experience of beneficiaries attending college under a MET contract to analyze whether two features of the program will likely cause greater payments than expected. These two features are a) the ability of a beneficiary to attend a college for which block pricing is in effect resulting in the possibility of having the program pay for more years than purchased and b) the ability of a beneficiary to have more than 120 credits covered (even though, for example, four years of coverage was purchased) due to being in a specific program requiring more than 120 hours for an undergraduate degree (e.g. Engineering). We have determined that an appropriate load on liabilities to reflect these features to be 2.0%.

II. Actuarial Method

The present value of future benefits is determined by projecting the weighted average tuition cost including mandatory fees at the assumed annual rate of increase and then calculating the expected present value of the future distributions from the Trust based on the investment income and discount rate assumptions.

The value of the Trust assets is determined by the Trust. In the September 30, 2006 valuation, the assets consist primarily of U.S. Treasury bonds and corporate bonds.

The present value of future benefits is compared to the value of assets. In this valuation, a balance is established equal to the difference between the value of the assets and the present value of future benefits. This balance is a measure of the actuarial soundness of Plans B and C.

SECTION VI – CONTRACT PROVISIONS VALUED

A. Issue Years 1988, 1989 and 1990

B. Benefit Provisions

1. Full Benefits Plan

a. Michigan Public 4-Year College	Full benefits plan provides for tuition and mandatory fees for number of years specified in the contract, from one to four years.
b. Community College	If the beneficiary elects to attend a community college, MET will pay the community college tuition cost or the lowest university tuition cost, depending on options selected by the beneficiary.
c. Michigan Independent College	If the beneficiary elects to attend a Michigan independent college, the contract may be terminated, and MET will pay tuition to the independent college based on the weighted average tuition cost. If the payment is not made to the college, the amount will be based on the lowest tuition.
d. Out-of-State College	If the beneficiary elects to attend an out-of-state college, the contract may be terminated, and MET will pay to the college four annual installments based on the average tuition cost. If payment is not made to the college, the amount will be based on the lowest tuition.
e. Full Scholarship	If the beneficiary receives a full scholarship, the contract may be terminated, and MET will pay four annual installments based on the average tuition cost.
f. Death or Disability	If the beneficiary dies or has a disability which renders the beneficiary incapable of attending college, the contract may be terminated, and MET will pay one installment based on the lowest tuition cost.
g. No College	If the beneficiary does not attend college, the contract may be terminated, and MET will pay four annual installments based on the lowest tuition cost

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SECTION VI – CONTRACT PROVISIONS VALUED

(continued)

2. Limited Benefits Plan

a. Michigan Public 4-Year College	Limited benefits plan provides for tuition and mandatory fees for the number of years specified in the contract, from one to four years. However, if tuition and mandatory fees exceed 105 percent of the weighted average tuition, the beneficiary must provide the excess.
b. Community College	If the beneficiary elects to attend a community college, MET will pay the community college tuition cost or the lowest university tuition cost, depending on options selected by the beneficiary.
c. Michigan Independent College	If the beneficiary elects to attend a Michigan independent college, the contract may be terminated, and MET will provide funds to the independent college based on the weighted average tuition at the colleges with tuition less than 105 percent of the weighted average tuition. If payment is not made to the college, the amount will be based on the lowest tuition.
d. Out-of-State College	If the beneficiary elects to attend an out-of-state college, the contract may be terminated, and MET will pay four annual installments based on the lowest tuition cost.
e. Full Scholarship	If the beneficiary receives a full scholarship, the contract may be terminated, and MET will pay four annual installments based on the lowest tuition cost.
f. Death or Disability	If the beneficiary dies or has a disability which renders the beneficiary incapable of attending college, the contract may be terminated, and MET will pay one installment based on the lowest tuition cost.
g. No College	If the beneficiary does not attend college, the contract may be terminated, and MET will pay four annual installments based on the lowest tuition cost.

SECTION VI – CONTRACT PROVISIONS VALUED

(continued)

3. Community College Plan

a. Community College	Community college plan provides for tuition and mandatory fees for the number of years specified in the contract, from one to two years.
b. Other Michigan College	If the beneficiary elects to attend a Michigan four-year public college or a Michigan independent college, the contract may be terminated, and MET will pay tuition to the college in two annual installments as needed based on the community college weighted average tuition cost in the year prior to the contract termination.
c. Out-of-State College	If the beneficiary elects to attend an out-of-state college, the contract may be terminated, and MET will pay to the college two annual installments based on the community college average tuition cost. If payment is not made to the college, the amount will be based on the lowest tuition.
d. Full Scholarship	If the beneficiary receives a full scholarship, the contract may be terminated, and MET will pay two annual installments based on the community college average tuition cost.
e. Death or Disability	If the beneficiary dies or has a disability which renders the beneficiary incapable of attending college, the contract may be terminated, and MET will pay one installment based on the community college lowest tuition cost.
f. No College	If the beneficiary does not attend college, the contract may be terminated, and MET will pay two annual installments based on the community college lowest tuition cost.

C. Transferability	If the contract is transferred to an older beneficiary, MET may charge additional costs, which include a transfer fee, the cost differential between beneficiary ages/grades and MET's loss of investment income. If the older beneficiary accepts the academic year of the original beneficiary, the additional cost can be waived.
D. Loans	If a purchaser defaults on a loan secured by the contract, MET will reimburse the savings institution for the default, and will reduce the amount of benefits purchased in proportion to the amount remaining after the payment to the savings institution.
E. Monthly Purchase	The purchaser of the monthly purchase contract purchases a percent of educational benefits with every monthly purchase amount which is received by MET. A purchaser may choose to make monthly payments over 4, 7 or 10 years.